

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket Nos. D.T.E. 02-24 and D.T.E. 02-25
Responses to the Department's Third Set of Information Requests

Request No. DTE 3-7:

Refer to FGE-MHC-5 (Electric) at 4. Please provide all workpapers, calculations, assumptions, etc. used to derive the test year allocation by Unutil Service Corp of 39.97 percent of its total labor and overhead charges to the company.

Response:

The derivation of the charges to the Company by USC during the test year is the sum of the USC invoices rendered to the Company each month during 2001.

Per Exh. FGE-MHC-5 (Electric), Unutil Service Corp. ("USC") charged the Company \$7,464,049 during the test year. All USC charges to the Company are listed on the monthly invoice to the Company by USC for services rendered. A schedule of the 12 monthly amounts of USC charges to the Company in 2001 is provided as Attachment DTE 3-7. The total is \$7,464,049.

All USC charges on the monthly invoice are classified according to actual USC direct labor hours worked in any given month. Each month USC employees enter their time cards and they identify: the amount of direct labor hours worked on a particular task, designated by Job Order Numbers ("JON's") in the USC Time & Billing system, and the particular client company (i.e. FG&E) for which the work was performed. Certain JON's designate activities related to specific projects. Other JON's are related to normal, recurring functional duties like accounting and customer service activities.

In most cases, direct labor hours for these normal recurring services are allocated based on allocation formulas which are derived from Revenues, # of customers, assets, headcount or other criteria. This allocation comes from the system-wide allocators of USC's costs for all subsidiaries (as approved by the SEC allocation formula), reflects the pass through of USC costs without profit, and is consistent with the manner in which USC costs are allocated to FG&E in general, not just the electric division. See the 2001 USC Time Charge Guidelines attached for more details.

In preparing the monthly USC invoice, the amount of direct labor hours worked on all JON's is compiled. Indirect labor and overheads are then allocated based on the amount of direct labor volume. When the USC invoice is presented for payment each month, the classification of charges, by function, is displayed in the invoice.

Copies of the 12 USC invoices to the Company for 2001 and an audit report analyzing the compilation of total USC costs billed to the Company are included in my Testimony in Exhibit FGE-MHC-5 (Electric). They total up to \$7,464,049.

Person Responsible: Mark H. Collin